

**Housing Authority of the
City of Hammond
Hammond, Louisiana**

**General Purpose Financial Statements and
Independent Auditors Reports
As of and for the Year Ending December 31, 2001
With Supplemental Information Schedules**

**WILLIAM DANIEL McCASKILL, CPA
A PROFESSIONAL ACCOUNTING CORPORATION**

**5150 Highway 22, Suite C-15
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Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7/17/02

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INDEPENDENT AUDITOR'S REPORT QUALIFIED OPINION ON GENERAL PURPOSE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Board of Commissioners
Housing Authority of the City of Hammond
Hammond, Louisiana

I have audited the accompanying general purpose financial statements of the Housing Authority of the City of Hammond (PHA) as of and for the year ended December 31, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the PHA's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and provisions of the Louisiana Governmental Audit Guide. Those standards required that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.


The prior audit was reported on the modified accrual method of accounting. The current year financials are reported on the full accrual method of accounting.

In my opinion, except for the effects of the change in accounting method, the general purpose financial statements referred to above present fairly in all material respects, the financial position of the Housing Authority of the City of Hammond as of December 31, 2001, and the results of its operations and the cash flows of its propriety fund types for the year ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued a report dated June 24, 2002 on my consideration of the PHA's internal control over financial reporting and my tests of its compliance with certain laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

My audit was conducted for the purpose of forming an opinion on the general purpose financial statements of the PHA taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non Profit organizations, and is not a required part of the general purpose financial statements. The accompanying Combining Financial Statements/Financial Data Schedules are presented for purposes of additional analysis as required by HUD, and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly presented in all material respects in relation to the financial statements and any other included supplementary information taken as a whole.

This report is intended solely for the information and use of the Board of Commissioners of the PHA, and for filing with the Department of HUD and should not be used for any other purpose.

 **William Daniel
McCaskill,
CPA, APAC**
Signature
Valid

Digitally signed by
William Daniel
McCaskill, CPA,
APAC
DN: cn=William
Daniel McCaskill,
CPA, APAC, c=US
Date: 2002.06.28
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William Daniel McCaskill, CPA
A Professional Accounting Corporation

June 24, 2002

**Housing Authority of the City of Hammond
Hammond, Louisiana
Combined Balance Sheet - All Funds
As of December 31, 2001**

EXHIBIT A
Page 1 of 1

Assets

Current Assets:

Cash and Cash Equivalents	\$ 129,051
Total Accounts Receivable, Net of Allowance for Doubtful Accounts	43,975
Investments - Unrestricted	-
Interprogram Due From	-
Prepaid Expenses and Other Assets	4,050
Inventories	-
Total Current Assets	<u>\$ 177,076</u>

Noncurrent Assets:

Total Fixed Assets, Net of Accumulated Depreciation	\$ 488,794
Other Assets	-
Total Noncurrent Assets	<u>\$ 488,794</u>

Total Assets	<u><u>\$ 665,870</u></u>
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Liabilities and Equity

Current Liabilities:

Accrued Compensated Absences	\$ -
Accrued Wage/Payroll Taxes Payable	2,217
Accounts Payable < 90 Days	-
Accounts Payable - HUD PHA Programs	-
Accounts Payable - Other Government	-
Tenant Security Deposits	2,765
Deferred Revenues	-
Current Portion of LT Debt - Capital Projects	12,000
Accrued Liabilities - Other	-
Interprogram Due To	-
Total Current Liabilities	<u>\$ 16,982</u>

Total Noncurrent Liabilities	419,014
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Total Liabilities	\$ 435,996
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Total Fund Equity	<u>\$ 229,874</u>
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Total Liabilities and Equity	<u><u>\$ 665,870</u></u>
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See notes to financial statements

**Housing Authority of the City of Hammond
Hammond, Louisiana
Combined Statement of Revenue, Expenses, and Change in Equity - All Funds
For Fiscal Year Ending December 31, 2001**

EXHIBIT B
Page 1 of 1

Revenues:	
Net Tenant Rental Revenue	\$ 24,710
HUD PHA Grants	894,325
Other Government Grants	33,207
Investment Income - Unrestricted	2,836
Other Revenue	2,316
Total Revenues	<u>\$ 957,394</u>
Operating Expenses:	
Administrative	\$ 121,003
Tenant Services	-
Utilities	2,675
Ordinary Maintenance & Operations	19,164
Protective Services	-
General Expenses	19,871
Total Operating Expenses Before Depreciation	<u>\$ 162,713</u>
Excess Revenue Over Expenses Before Depreciation	\$ 794,681
Extraordinary Maintenance	-
Casualty Losses - Non-Capitalized	-
Housing Assistance Payments	763,049
Depreciation Expense	16,158
Operating Transfers - In	-
Operating Transfers - Out	-
Net Operating Income (Loss) After Depreciation	<u>\$ 15,474</u>
Beginning Equity @ 12/31/00	\$ 52,114
Net Operating Income (Loss) After Depreciation	15,474
Prior Period Adjustments	162,286
Capital Outlays	-
Ending Equity @ 12/31/01	<u>\$ 229,874</u>

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See notes to financial statements

**Housing Authority of the City of Hammond
Hammond, Louisiana
Combined Statement of Cash Flows - All Funds
For Fiscal Year Ending December 31, 2001**

EXHIBIT C
Page 1 of 1

Cash flows from operating activities:

Net Operating Income (Loss)	\$ (898,736)	
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
(Gain) Loss on sale of equipment		
(Increase) Decrease in tenants accounts receivable	-	
(Increase) Decrease in accounts receivable HUD	79,857	
(Increase) Decrease in misc accounts receivable	137	
(Increase) Decrease in prepaid items and other assets	-	
(Increase) Decrease in supplies inventory	-	
(Increase) Decrease in tenant security deposits (asset)	-	
(Increase) Decrease in item not traced	2,406	
Increase (Decrease) in accounts payable	176	
Increase (Decrease) in long term debt	(12,650)	
Increase (Decrease) in accounts payable HUD	(98,809)	
Increase (Decrease) in accrued compensated absences	(3,632)	
Increase (Decrease) in tenant security deposits (liability)	(185)	
Increase (Decrease) in other payables and deferred revenue	-	
Net cash provided (used) by operating activities	<u> </u>	\$ (931,436)

Cash flows from noncapital financing activities:

Federal grants - HUD	\$ 894,325	
Federal grants - USDA	<u>33,207</u>	
Net cash provided (used) from noncapital financing activities		927,532

Cash flows from capital and related financing activities:

Acquisition of capital assets	\$ -	
Proceeds from grants	<u>-</u>	
Net cash provided (used) for capital and related financing activities		-

Cash flow from investing activities:

Investment income (interest income)	\$ <u>2,836</u>	
Net cash provided (used) by investing activities		<u>2,836</u>

Net increase (decrease) in cash and cash equivalents

\$ (1,068)

Cash and cash equivalents at beginning of year

130,119

Cash and cash equivalents at end of year (exhibit A)

\$ 129,051

See notes to financial statements

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**Housing Authority of the City of Hammond
Hammond, Louisiana
Statement of Revenues & Expenditures - Budget vs. Actual
Section 8 Rental Voucher Program
For Fiscal Year Ending December 31, 2001**

**EXHIBIT D
Page 1 of 1**

	<i>Section 8 Voucher Program</i>		
	Budget	Actual	Variance Actual-Budget Over (Under)
Revenues			
Local Sources:			
Total Tenant Rental Revenue	\$ -	\$ -	\$ -
Investment Income - Unrestricted	-	-	-
Receipts from Sale of Equipment	-	-	-
Other Revenue	-	1,756	1,756
Federal Sources:			
Operating Subsidy / HUD PHA Grants	851,655	894,325	42,670
Annual Contributions	-	-	-
Total Revenues	\$ 851,655	\$ 896,081	\$ 44,426
Expenditures			
Administrative	\$ 119,895	\$ 114,068	\$ (5,827)
Tenant Services	-	-	-
Utilities	-	-	-
Ordinary Maintenance & Operations	-	-	-
Protective Services	-	-	-
General Expenses	-	-	-
Nonroutine Maintenance	-	-	-
Capital Expenditures	-	-	-
Prior Year Adjustments	-	-	-
Housing Assistance Payments	731,760	763,049	31,289
Total Expenditures	\$ 851,655	\$ 877,117	\$ 25,462
Excess Revenues (Deficiency) Over Expenses	\$ -	\$ 18,964	\$ 18,964

See notes to financial statements

Housing Authority of the City of Hammond
Notes to Financial Statements
Fiscal Year Ending December 31, 2001

Housing Authorities are chartered as a public corporation under the laws of the State of Louisiana for the purpose of providing safe and sanitary dwelling accommodations for the residents of Hammond, Louisiana. This creation was contingent upon the local governing body of the city, county, or parish as applicable. A five member Board of Commissioners governs the PHA. The members, appointed by the Mayor of Hammond, Louisiana, serve a four year staggered term.

Under the United States Housing Act of 1937, as amended, the US Department of HUD has direct responsibility for administering low rent housing programs in the United States. Accordingly, HUD has entered into an annual contributions contract with the PHA for the purpose of assisting the PHA in financing the acquisition, construction and leasing of housing units and to make annual contributions (subsidies) to the PHA for the purpose of maintaining this low rent character.

NOTE A - FINANCIAL REPORTING

(1) Financial Reporting Entity

Generally accepted accounting principles require that the financial statements present the accounts and operations of the PHA and its component units, entities for which the PHA is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the PHA's operations and data from these units, if any are combined with data of the PHA. Each discretely presented component, if any, would be reported in a separate column in the combined financial statements to emphasize that it is legally separate from the PHA. As of December 31, 2001, and for the fiscal then ended, the PHA had no discretely presented component units or any component units that are required to be blended in these financial statements.

The PHA owns and manages manages a twenty (20) unit rent subsidy USDA (Farmers Home Administration) program for the elderly and handicapped. This is accounted for as a separate fund on the Financial Data Schedule.

(2) Accounting Principle

Previously, the PHA used the modified accrual governmental GAAP method of accounting. During the fiscal year, the PHA changed to the governmental GAAP enterprise method of accounting.

The enterprise method accounts for operations in a manner similar to a private business. Under this method, all assets, including fixed assets, and all liabilities are in one fund, and one financial statement.

Housing Authority of the City of Hammond
Notes to Financial Statements
Fiscal Year Ending December 31, 2001

The enterprise method recognizes revenues and expenses on the full accrual basis. Revenues are recognized when earned and become measurable. Expenses are recognized in the period incurred, if measurable. Depreciation expense must be recognized for the enterprise method of accounting. Under the HUD regulatory method of accounting, depreciation was not recognized.

The PHA applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

(3) Budgetary Data

The PHA is required by its HUD Annual Contributions Contract to adopt annual budgets for the Low Rent Housing Program and the Section 8 Programs. Annual budgets are not required for modernization and drug elimination grants as their budgets are approved for the length of the project. Both annual and project length budgets require grantor approval.

(4) Cash and Cash Equivalents

The entity defines cash and cash equivalents to include certificates of deposit, money market funds, savings accounts, U.S. government securities, and demand deposits.

(5) Tenant Receivables

Receivables for rental and service charges are reported in the General Fund, net of allowances for doubtful accounts.

(6) Fixed Assets

Fixed assets are recorded at historical cost and depreciated over their estimated useful lives (excluding salvage value). Donated capital assets are recorded at their estimated fair value at the date of donation. Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Interest costs during construction have not been capitalized.

(7) Compensated Absences

Authority employees accrue personal leave, or compensated absences, by a prescribed formula based on length of service.

(8) Inventory and Prepaid Items

All inventory items are valued at cost using first-in, first-out method, and inventory is recorded using the purchase method. At year-end, the amount of inventory is recorded for external financial reporting. Certain payments to

Housing Authority of the City of Hammond
Notes to Financial Statements
Fiscal Year Ending December 31, 2001

vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid expenses consist of prepaid insurance.

NOTE B - CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

It is the entity's policy for deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. The entity's deposits are categorized to give an indication of the level of risk assumed by the entity at December 31, 2001. The categories are described as follows:

Category 1: Insured or collateralized with securities held by the entity or by its agent in the entity's name.

Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3: Uncollateralized, uninsured and unregistered, but with securities held by the bank, its agent, pledged to the PHA, but not in the PHA's name.

Cash Deposits, categorized by level of risk, (at cost, which approximates market) are:

Total Bank Balances	Category 1	Category 2	Category 3
\$133,061	\$133,061	\$0	\$0

Whereas the reconciled general ledger reflects a balance of \$129,051, the actual bank balances were \$133,061.

NOTE C - ACTIVITIES OF THE PHA

At December 31, 2001, the PHA had activities that include the following: section 8 rental voucher program, rural rental housing.

NOTE D - CONTINGENCIES

The entity is subject to possible examinations by federal regulators who determine compliance with terms, conditions, laws and regulations governing grants given to the entity in the current and prior years. These examinations may result in required refund by the entity to federal grantors and/or program beneficiaries.

Housing Authority of the City of Hammond
Notes to Financial Statements
Fiscal Year Ending December 31, 2001

NOTE E - FIXED ASSETS

As noted in Note A, soft costs formerly capitalized have been written off and fixed assets are now depreciated on the straight-line method over their estimated useful lives as follows:

Site improvements	40 Years
Buildings	40 Years
Building improvements	15 Years
Equipment	3-7 Years

Rural Rental Housing	Cost	Current Depreciation	Accumulated Depreciation	Net Asset Value
Land	\$35,560	\$0	\$0	\$35,560
Buildings	610,597	15,265	167,914	442,683
Furniture & Equipment – Dwellings	16,493	0	16,493	0
Furniture & Equipment – Administration	2,845	569	1,709	1,136
Leasehold Improvements	12,986	324	3,571	9,415
TOTAL	\$678,481	\$16,158	\$189,687	\$488,794

The capitalization limit is \$5,000.

All land and building are encumbered by a Housing Revenue Note and Real Estate Mortgage in favor of the United States of America as security for obligations guaranteed by the government and to protect other interests of the government.

NOTE F - LONG-TERM DEBT

Long term debt as of December 31, 2001 consist of a loan payable to the U.S Department of Agriculture (USDA) secured by a mortgage on residential property located at Hammond, Louisiana. Monthly payments, including interest at 13.25%, are \$7,159.

This long term debt is serviced directly by the USDA. We did confirm the principal balance as of December 31, 2001. Neither the PHA nor the USDA was able to provide an amortization schedule. Since the USDA services the debt we

Housing Authority of the City of Hammond
Notes to Financial Statements
Fiscal Year Ending December 31, 2001

do not consider the lack of an amortization schedule as reason to qualify our opinion on the financial statements.

The principal payments for the fiscal year ended December 31, 2001 were \$12,649.89. The principal payments for each of the next five (5) years are approximately \$12,000 with principal reduction after the fifth year of approximately \$371,014, for a total principal reduction of \$431,014. The amount recorded on the FDS as the current portion of this long term debt is \$12,000.

NOTE G - RETIREMENT PLAN

The entity provides benefits for all full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate after a six-month exclusionary period. The employee contributes 5% and the entity contributes 6% of the employee's base monthly salary. The entity's contributions for each employee (and interest allocated to the employee's account) vest at 20% annually for each year of participation. An employee is fully vested after 5 years of participation.

The entity's total payroll for the fiscal year ending December 31, 2001 was \$95,624. The entity's contributions were calculated using the base salary amount of \$87,012. Contributions to the plan were \$4,350 and \$5,221, by the employees and the entity, respectively.

NOTE H - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Investments

The carrying amount approximates fair value because of the short maturity of these instruments.

NOTE I - USE OF ESTIMATES IN PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Housing Authority of the City of Hammond
Notes to Financial Statements
Fiscal Year Ending December 31, 2001

NOTE J – PRIOR PERIOD ADJUSTMENTS, EQUITY TRANSFERS AND CORRECTION OF ERRORS

Correction of Errors Rural Rental Housing Program	Amount
Adjust cash to actual per bank reconciliation	\$(4,144)
Adjust fixed assets per USDA fixed asset printouts	46,239
Adjust accumulated depreciation after fixed asset adjustment	109,281
TOTAL	\$151,376

Correction of Errors Section 8 Rental Voucher Program	Amount
Adjust cash to actual per bank reconciliation	\$9,410
Transfer certificates to voucher program	1,502
TOTAL	\$10,912

NOTE K – RESTRICTED ASSETS

Restricted assets consist of the following:	Amount
Reserve for replacements	\$77,820
Mortgage escrow deposits	1,140
Tenant security deposits	3,098
TOTAL	\$82,058

Changes in reserve for replacements are as follows:	Reserve for Replacement Amount
Balance, beginning of year	\$80,920
Interest income	1,745
Required deposits	0
Approved withdrawals	(4,845)
Balance, end of year	\$77,820

**Housing Authority of the City of Hammond
Hammond, Louisiana
Expenditures of Federal Awards
For Fiscal Year Ending December 31, 2001**

SCHEDULE I
Page 1 of 1

<i>CFDA #</i>	<i>Name of Federal Program</i>	<i>Federal Award Expenditure</i>
10.415	Rural Rental Housing Loans	\$ 33,207
14.855	Section 8 Rental Voucher Program	886,989
Total Federal Expenditures		<u>\$ 920,196</u>

1. The Rural Rental Housing Loans program listed above includes a mortgage loan made to the PHA by the U.S. Department of Agriculture (USDA) that is serviced directly by the USDA. The principal balance as of December 31, 2001 was \$431,014. During the fiscal year, the USDA paid \$53,622 of interest subsidy in addition to the amount included in the above schedule. The above scheduled amount of \$33,207 includes \$4,438 of interest, \$12,650 of principal, and \$16,119 of rental assistance.
2. During the fiscal year the PHA maintained \$580,000 of property insurance on the above referenced fixed assets.

See notes to financial statements

**Housing Authority of the City of Hammond
Hammond, Louisiana
Combining Balance Sheet / Financial Data Schedule - All Funds
As of December 31, 2001**

**SCHEDULE II
Page 1 of 2**

	<i>Section 8 Rental Voucher</i>	<i>Rural Rental Housing</i>	<i>Total</i>
<u>Assets</u>			
Current Assets:			
Cash - Unrestricted	\$ 38,792	\$ 8,201	\$ 46,993
Cash - Restricted	-	78,960	78,960
Cash - Tenant Security Deposits	-	3,098	3,098
Total Cash	\$ 38,792	\$ 90,259	\$ 129,051
Accounts Receivable - PHA Projects	\$ -	\$ -	\$ -
Accounts Receivable - HUD Other Projects	42,670		42,670
Accounts Receivable - Other Government	-	1,305	1,305
Accounts Receivable - Miscellaneous	-	-	-
Accounts Receivable - Tenants Dwelling Rents	-	-	-
Allowance for Doubtful Accounts - Dwelling Rents	-	-	-
Accrued Interest Receivable	-	-	-
Total Accounts Receivable, Net of Allowance	\$ 42,670	\$ 1,305	\$ 43,975
Interprogram Due From	\$ -	\$ -	\$ -
Investments - Unrestricted	-	-	-
Prepaid Expenses and Other Assets	-	4,050	4,050
Inventories	-	-	-
Total Other Assets	\$ -	\$ 4,050	\$ 4,050
Total Current Assets	\$ 81,462	\$ 95,614	\$ 177,076
Noncurrent Assets:			
Land	\$ -	\$ 35,560	\$ 35,560
Buildings	-	610,597	610,597
Furniture, Equipment & Machinery - Dwellings	-	16,493	16,493
Furniture, Equipment & Machinery - Administration	-	2,845	2,845
Leasehold Improvements	-	12,986	12,986
Accumulated Depreciation	-	(189,687)	(189,687)
Construction In Progress	-	-	-
Total Fixed Assets, Net of Accumulated Depreciation	\$ -	\$ 488,794	\$ 488,794
Other Assets	\$ -	\$ -	\$ -
Total Noncurrent Assets	\$ -	\$ 488,794	\$ 488,794
Total Assets	\$ 81,462	\$ 584,408	\$ 665,870

See notes to financial statements

**Housing Authority of the City of Hammond
Hammond, Louisiana
Combining Balance Sheet / Financial Data Schedule - All Funds
As of December 31, 2001**

SCHEDULE II
Page 2 of 2

	<u>Section 8 Rental Voucher</u>	<u>Rural Rental Housing</u>	<u>Total</u>
<u>Liabilities and Equity</u>			
Current Liabilities:			
Accrued Compensated Absences	\$ -	\$ -	\$ -
Accrued Wage/Payroll Taxes Payable	2,217	-	2,217
Accounts Payable < 90 Days	-	-	-
Accounts Payable - HUD PHA Programs	-	-	-
Accounts Payable - Other Government	-	-	-
Tenant Security Deposits	-	2,765	2,765
Deferred Revenues	-	-	-
Current Portion of LT Debt - Capital Projects	-	12,000	12,000
Accrued Liabilities - Other	-	-	-
Interprogram Due To	-	-	-
Total Current Liabilities	\$ 2,217	\$ 14,765	\$ 16,982
Noncurrent Liabilities:			
Long-term Debt, Net of Current - Capital Projects	\$ -	\$ 419,014	\$ 419,014
Noncurrent Liabilities - Other	-	-	-
Total Noncurrent Liabilities	\$ -	\$ 419,014	\$ 419,014
Total Liabilities	\$ 2,217	\$ 433,779	\$ 435,996
Equity:			
Project Notes (HUD)	\$ -	\$ -	\$ -
Long-term Debt - HUD Guaranteed	-	-	-
Net HUD PHA Contributions	-	-	-
Other Contributions	-	-	-
Total Contributed Capital	\$ -	\$ -	\$ -
Undesignated Fund Balance/Retained Earnings	\$ 79,245	\$ 150,629	229,874
Total Equity	\$ 79,245	\$ 150,629	\$ 229,874
Total Liabilities and Equity	\$ 81,462	\$ 584,408	\$ 665,870

See notes to financial statements

Housing Authority of the City of Hammond
Hammond, Louisiana
Combining Statement of Revenue, Expenses, and Change in Equity /
Financial Data Schedule - All Funds
For Fiscal Year Ending December 31, 2001

SCHEDULE III

Page 1 of 2

	<i>Section 8 Rental Voucher</i>	<i>Rural Rental Housing</i>	<i>Total</i>
Revenues:			
Net Tenant Rental Revenue	\$ -	\$ 24,710	\$ 24,710
Net Tenant Revenue - Other	-	-	-
Total Tenant Rental Revenue	\$ -	\$ 24,710	\$ 24,710
HUD PHA Grants	\$ 894,325	\$ -	\$ 894,325
Other Government Grants - USDA	-	33,207	33,207
Gain/Loss on Sale of Fixed Assets	-	-	-
Investment Income - Unrestricted	862	1,974	2,836
Other Revenue	894	1,422	2,316
Total Other Revenue	\$ 896,081	\$ 36,603	\$ 932,684
Total Revenue	\$ 896,081	\$ 61,313	\$ 957,394
Operating Expenses:			
Administrative Salaries	\$ 82,937	\$ 12,000	\$ 94,937
Auditing Fees	3,400	500	3,900
Compensated Absences	-	-	-
Employee Benefit Contributions-Administrative	10,360	918	11,278
Other Operating - Administrative	8,438	2,450	10,888
Tenant Services-Salaries	-	-	-
Employee Benefit Contributions-Tenant Services	-	-	-
Tenant Services-Other	-	-	-
Water	-	90	90
Electricity	-	2,402	2,402
Gas	-	-	-
Other Utilities Expense	-	183	183
Ordinary Maintenance & Operations-Labor	-	4,800	4,800
Ordinary Maintenance & Operations-Materials	-	1,684	1,684
Ordinary Maintenance & Operations-Contract	-	12,680	12,680
Employee Benefit Contributions-Maintenance	-	-	-
Protective Services - Labor	-	-	-
Protective Services - Other Contract Costs	-	-	-
Protective Services - Other	-	-	-
Employee Benefits Contributions-Protective Services	-	-	-
Insurance Premiums	8,933	6,500	15,433
Other General Expenses	-	-	-
Payments in Lieu of Taxes	-	-	-
Bad Debt - Other	-	-	-
Interest Expense	-	4,438	4,438
Total Operating Expenses Before Depreciation	\$ 114,068	\$ 48,645	\$ 162,713

See notes to financial statements

Housing Authority of the City of Hammond Hammond, Louisiana Combining Statement of Revenue, Expenses, and Change in Equity / Financial Data Schedule - All Funds For Fiscal Year Ending December 31, 2001	SCHEDULE III Page 2 of 2
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	<i>Section 8 Rental Voucher</i>	<i>Rural Rental Housing</i>	<i>Total</i>
Excess Revenue Over Expenses Before Depreciation	\$ 782,013	\$ 12,668	794,681
Extraordinary Maintenance	-	-	-
Casualty Losses - Non-Capitalized	-	-	-
Housing Assistance Payments	763,049	-	763,049
Depreciation Expense	-	16,158	16,158
Operating Transfers - In	-	-	-
Operating Transfers - Out	-	-	-
Net Operating Income (Loss) After Depreciation	<u>\$ 18,964</u>	<u>\$ (3,490)</u>	<u>\$ 15,474</u>
Beginning Equity @ 12/31/00	\$ 49,371	\$ 2,743	\$ 52,114
Net Operating Income (Loss) After Depreciation	18,964	(3,490)	15,474
Prior Period Adjustments	10,910	151,376	162,286
Capital Outlays Enterprise Fund	-	-	-
Ending Equity @ 12/31/01	<u>\$ 79,245</u>	<u>\$ 150,629</u>	<u>\$ 229,874</u>
	-	-	-

See notes to financial statements

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

Board of Commissioners
Housing Authority of the City of Hammond
Hammond, Louisiana

I have audited the financial statements of the Housing Authority of the City of Hammond (PHA), as of and for the year ended December 31, 2001 and have issued my report thereon dated June 24, 2002. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Audit Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the PHA's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the PHA's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all

matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in the amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended for the information of the audit committee, management, and for HUD. However, this report is a matter of public record and its distribution is not limited.

 **William Daniel
McCaskill, CPA,
APAC**
Signature
Valid

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June 24, 2002

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Commissioners
Housing Authority of the City of Hammond
Hammond, Louisiana

Compliance

I have audited the compliance of The Housing Authority of the City of Hammond (PHA) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2001. The PHA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the PHA's management. My responsibility is to express an opinion on the PHA's compliance based on my audit.

I conducted my audit of compliance in accordance with: generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the PHA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the PHA's compliance with those requirements.

As described in finding numbers 2001-1 through 2001-3, in the accompanying Schedule of Findings and Questioned Costs, the PHA did not comply with requirements regarding allowable costs-cost principles, eligibility, and cash management that are applicable to its section 8, and rural rental housing loans programs. Compliance with such requirements is necessary, in my opinion, for the PHA to comply with requirements applicable to these programs.

In my opinion except for the noncompliance described in the preceding paragraph, the PHA complied in all material respects with the requirements referred to above that are applicable to each of its major programs for the year ended December 31, 2001.


Internal Control Over Compliance

The management of the PHA is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the PHA's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

I noted certain matters involving the internal control over compliance and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in my judgment, could adversely affect the PHA's ability to administer a major federal program in accordance with applicable requirements of law, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of findings and questioned costs as finding numbers 2001-1 through 2001-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to the major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over compliance would not necessarily disclose all matter in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I consider finding numbers 2001-1 through 2001-3 to be material weaknesses.

This report is intended for the information of the audit committee, management, and HUD. However, this report is a matter of public record and its distribution is not limited.

 **William Daniel
McCaskill, CPA,
APAC**

Signature
Valid

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William Daniel McCaskill, CPA
A Professional Accounting Corporation

June 24, 2002

**Housing Authority of the City of Hammond
Schedule of Audit Adjusting Journal Entries
Fiscal Year Ending December 31, 2001**

Section 8 Rental Voucher Program

Account	Debit	Credit
Accounts Receivable – HUD	\$7,336	
HUD PHA Grants – Section 8		\$7,336
To adjust accounts receivable from HUD and annual contributions earned to actual at December 31, 2001		

Account	Debit	Credit
Cash – Other Restricted	\$9,410	
Project Reserve		\$9,410
To adjust cash to actual at December 31, 2001		

Rural Rental Housing Loans Program

Account	Debit	Credit
Cash – Tenant Security Deposits	\$644	
Tenants Security Deposits	100	
Cash – Restricted (Reserve)	381	
Fund Balance	4,144	
Cash – Unrestricted (Jackson Square)		\$3,463
Interest Income		1,806
To adjust cash and security deposits to actual at December 31, 2001		

Account	Debit	Credit
Accounts Receivable – FMHA	\$1,305	
FMHA Rental Subsidy		\$1,305
To record December 2001 project worksheet for interest credit and rental assistance		

Account	Debit	Credit
Land	\$4,915	
Site Improvements	12,986	
Buildings	37,427	
Replacements From Reserve		\$9,089
HHA Fund Equity		46,239
To adjust land and buildings to actual		

**Housing Authority of the City of Hammond
Schedule of Audit Adjusting Journal Entries
Fiscal Year Ending December 31, 2001**

Account	Debit	Credit
Depreciation Expense	\$1,038	
Accumulated Depreciation		\$1,038
To adjust depreciation expense to actual at December 31, 2001		

Account	Debit	Credit
Accumulated Depreciation	\$109,281	
HHA Fund Equity		\$109,281
To restate accumulated depreciation to actual at December 31, 2001		

**Housing Authority of the City of Hammond
Schedule of Prior Audit Findings
Fiscal Year Ending December 31, 2001**

There were no findings in the prior audit.

**Housing Authority of the City of Hammond
Schedule of Current Audit Findings And Questioned Costs
Fiscal Year Ending December 31, 2001**

Per A-133, Section 505(d)

1. Summary Schedule of Auditors Results:

- i. The report includes a qualified opinion on the financial statements.
- ii. There were no reportable conditions in internal controls found that are required to be disclosed at the financial statement level.
- iii. The audit disclosed no noncompliance that is material to the financial statements.
- iv. Reportable conditions in internal control over major programs were disclosed by the audit.
- v. The compliance report issued for major programs was qualified.
- vi. The report disclosed audit findings required to be reported under Section 510a of A-133.
- vii. All major programs have oversight by HUD and are identified as follows:

<u>CFDA#</u>	<u>Name of Program</u>
14.855	Section 8 Rental Voucher Program

- viii. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- ix. The auditee was not considered a low risk auditee.

2. Finding relating to the financial statements required to be reported with GAGAS are as follows: NONE

Housing Authority of the City of Hammond
Schedule of Current Audit Findings And Questioned Costs
Fiscal Year Ending December 31, 2001
(continued)

3. Findings and questioned costs for Federal awards as defined in A-133, Section 510a all with HUD oversight:

Finding No. 2001-1:

1. Name of Program-Section 8 Rental Voucher / Rural Rental Housing Loans
Identification Number - FW2881V / 22-053-0720842186
CFDA Number - 14.855 / 10.415
Federal Award Year - 2001
Name of Federal Agency - HUD / USDA
Name of Pass Thru Entity - None
2. Criteria - Personnel matters should include the following:
 - a. Timesheets should be maintained for all staff members.
 - b. The personnel and travel policies should be updated periodically.
 - c. All required forms should be kept in each staff members file.
 - d. All full time staff members should work 40 hours per week.
3. Condition:
 - a. No staff member has been completing a timesheet.
 - b. The personnel and travel policies have not been updated in more than 2 years.
 - c. Not all required forms were placed in the personnel files.
 - d. The personnel policy states that the working hours are from 8am to 3pm which totals 30 hours. Some staff members work less than 40 hours per week.
4. Amount of Questioned Costs - None
5. Cause and Effect:
 - a. The personnel policy does not address the matter of timesheets. Without timesheets it is impossible to document the number of hours worked.
 - b. The policies are not effective.
 - c. Compliance with laws and regulations may not be properly documented.
 - d. Some staff may be paid for hours that they are not working.
6. Perspective Information - This finding applies to all staff members. During the fiscal year the PHA paid salaries in the amount of \$95,624.
7. Recommendation:
 - a. All staff prepare and supervisors approve timesheets.
 - b. Personnel and travel policies should be immediately updated and approved by the Board of Commissioners.
 - c. Personnel files should be redone to include all documentation required by law and regulation.

Housing Authority of the City of Hammond
Schedule of Current Audit Findings And Questioned Costs
Fiscal Year Ending December 31, 2001
(continued)

- d. The new personnel policy should address the matter of full time staff members and their prescribed hours.
- 8. PHA officials agree with this finding.

Finding No. 2001-2:

- 1. Name of Program-Section 8 Rental Voucher / Rural Rental Housing Loans
Identification Number - FW2881V / 22-053-0720842186
CFDA Number - 14.855 / 10.415
Federal Award Year - 2001
Name of Federal Agency - HUD / USDA
Name of Pass Thru Entity - None
- 2. Criteria - The PHA should have all cash deposits with any financial institution in excess of the \$100,000 FDIC coverage secured with federally guaranteed securities pledged to the PHA.
- 3. Condition - Even though at fiscal year end the PHA had less than \$100,000 in bank deposits, during the year the bank balance exceeded \$100,000 on occasion. The bank did not have any securities pledged to the PHA during the fiscal year.
- 4. Amount of Questioned Costs - None
- 5. Cause and Effect - When the PHA opened the bank accounts the bank did not record the PHA as being a governmental entity requiring such pledges. The effect was that the PHA was not in compliance with governmental regulations.
- 6. Perspective Information - During the fiscal year the bank balance exceeded the \$100,000 amount approximately 4 times with a highest-balance of \$129,306.
- 7. Recommendation - That the PHA have the bank pledge adequate acceptable securities and send the PHA a confirmation of the pledges monthly so staff can monitor the sufficiency of the pledges.
- 8. PHA officials agree with this finding.

Finding No. 2001-3:

- 1. Name of Program-Section 8 Rental Voucher
Identification Number - FW2881V
CFDA Number - 14.855
Federal Award Year - 2001
Name of Federal Agency - HUD
Name of Pass Thru Entity - None
- 2. Criteria - Tenant files should include adequate documentation to satisfy HUD regulations for eligibility.

Housing Authority of the City of Hammond
Schedule of Current Audit Findings And Questioned Costs
Fiscal Year Ending December 31, 2001
(continued)

3. Condition - Testing 10 tenant files resulted in the following deficiencies:
 - 1 was missing rent reasonableness documentation
 - 1 did not include verification of assets
 - 1 did not include a personal declaration form
 - 1 did not include a current signed lease
 - 1 included a HAP calculation to the landlord different than the amount actually paid—the difference in the amount calculated and the amount paid was \$8
4. Amount of Questioned Costs - None
5. Cause and Effect - Recently a large number of residents were housed using the portability feature of the program and PHA staff was temporarily overwhelmed with the required paperwork. The effect is that the PHA violated HUD eligibility documentation requirements.
6. Perspective Information - We tested 10 tenant files out of the possible pool of 286 residents. The total HAP paid for the fiscal year was \$ 763,049.
7. Recommendation - That PHA staff review every tenant file for 100% compliance with HUD regulation by September 30, 2002.
8. PHA officials agree with this finding.

**Housing Authority of the City of Hammond
Schedule of Corrective Action Plan
Fiscal Year Ending December 31, 2001**

Finding No. 2001-1:

Person Responsible - Jessica Llewellyn

Anticipated Completion Date - August 31, 2002

Action Planned - We will a) have all staff prepare and supervisors approve timesheets, b) update personnel and travel policies and have them approved by the Board of Commissioners, c) redo all personnel files to include all documentation required by law and regulation, d) have the new personnel policy address the matter of full time staff members and their prescribed hours.

Finding No. 2001-2:

Person Responsible - Jessica Llewellyn

Anticipated Completion Date - June 12, 2002

Action Planned - On the date the auditor found this problem we contacted the bank and had them pledge FHLMC securities in an adequate amount to secure the deposits. We had the auditor review the confirmation for adequacy and he indicated that it was adequate.

Finding No. 2001-3:

Person Responsible - Jessica Llewellyn

Anticipated Completion Date - September 30, 2002

Action Planned - We will have staff review every tenant file for 100% compliance with HUD regulation by September 30, 2002.